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RUCNMEM/EU MEMBER STATES PRIORITY

RHMFISS/CDR USEUCOM VAIHINGEN GE PRIORITY

RUEAIIA/CIA WASHINGTON DC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEKDIA/DIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000605

SIPDIS

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TAGS: [ENRG](#) [PGOV](#) [PREL](#) [TX](#) [AJ](#)

SUBJECT: AZERBAIJAN'S PERSPECTIVE ON CASPAIN DELIMITATION
WITH TURKMENISTAN: THE REST OF THE STORY

REF: A. ASHGABAT 947

[1B.](#) BAKU 481

Classified By: Charge Donald Lu for reasons 1.4 (b) & (d).

[¶1.](#) (C) SUMMARY: On July 30, the Charge met with SOCAR Vice President Elshad Nassirov to discuss the recent public quarrel between Azerbaijan and Turkmenistan over Caspian Sea Delimitation. Nassirov had more questions than answers regarding the "strange and sudden" behavior of the Turkmen President, and expressed concern over how it might affect an upcoming bilateral energy conference. While progress has not been dramatic, the two countries have met regularly to discuss delimitation. He regarded the sudden move to international arbitration seems to be a drastic, ineffective and time-consuming path. In light of these developments, Nassirov noted that the proposed visit by Ambassador Morningstar in August would be welcome and timely.

End Summary.

[¶2.](#) (C) In a July 30 meeting with SOCAR Vice President Elshad Nassirov, the Charge asked for clarification about the recent squabble between Turkmenistan and Azerbaijan over Caspian Sea delimitation which has been playing out in the media. The crux of the disagreement is the development of the Serdar-Kaypaz oil field, but roots of the dispute go much deeper and have the potential to affect the Azeri-Chirag-Guneshli (ACG) fields, as well as future pipeline developments. Should international arbitration find in favor of Turkmenistan on the Serdar-Kaypaz field, it could open the door for the GOTX to pursue a claim to historic ownership of the Azeri and Chirag oil fields as well.

[¶3.](#) (C) Nassirov was nonplussed by Berdimuhamedov's recent actions and public claims (Ref A), commenting that they were "very strange and sudden." He noted that while these actions do have a hint of Russian meddling in them, it did not seem likely as relations between Turkmenistan and Russia are not particularly cordial right now. He also opined that "dealing with the Turkmen is not an easy thing, even for Russia." He also stated that GOAJ is beginning to "question his sanity," noting that these actions were more indicative of former President Niyazov, a.k.a. the Turkmenbashi, than the, until recently, more practical Berdimuhamedov. He also questioned what this may portend for the upcoming annual Azerbaijan Turkmenistan Joint Energy Conference, slated to be held in Ashgabat in September.

[¶4.](#) (C) With regard to Turkmenistan's claims, Nassirov noted that the delimitation line currently being used is the same Soviet-drawn line they've used since 1949. The two countries have been negotiating the delimitation in good faith, if not

fully successfully (Ref B) since 2008. In that time the GOAJ has moved from a position of 50-50 development and profit sharing to 90-10 in favor of Turkmenistan, just to "get the line drawn." It is possible that Turkmenistan sees this as a sign of a weakening position, or maybe it is just using this as a test to determine the "real" intentions of Azerbaijan vis-a-vis support for Europe and gas delivery via the Nabucco pipeline.

¶5. (C) Neither Turkmenistan nor Azerbaijan is a member of the International Court of Justice, nor has either been eager to join. Some pundits claim that international arbitration might be good for Azerbaijan, which could win the dispute once and for all. However, it might be a difficult sell, since Turkmenistan has a history of not respecting international arbitration and this course would take years to resolve.

¶6. (C) Energy industry representatives also report that their government contacts have received no official word from the GOTX about its intention to seek arbitration and that they do not plan to respond until they do. They maintain that as far as a trans-Caspian pipeline is concerned, this issue does not present obvious complications, since a foreign third party would own and operate the line. They do note, however, that a protracted dispute over something like this could complicate financing if conservative lenders were made uneasy by it.

¶7. (C) COMMENT: Nassirov was fishing for USG insights into the Turkmen announcement as well. He seemed to be genuinely

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baffled, but did not support the view expressed by BP analysts that perhaps this was a ploy to move forward on a gas transit deal while showing the Russians that they were forced by international arbitration. He argued that arbitration would be too lengthy a process to make this attractive. Nassirov welcomed the proposal of a visit by Ambassador Morningstar in August, claiming that Azerbaijan seriously needs his assistance now, and expressing the hope that he would be able to get at the "truth."

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